

Design and Implementation of A Trade Agreement involving Central Asia Regional Economic Cooperation Countries

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Background

- CAREC trade policy pillar was founded on WTO membership
 - Today 8 CAREC countries are WTO members and the other 3 are actively negotiating accession.
 - the next step is to reach agreement on measures beyond WTO commitments.
- A CAREC trade agreement should build upon previous steps,
 - the 2019 CAREC Integrated Trade Agenda (CITA) set up a framework for coordination of more open trade policies.
- A CAREC trade agreement must recognize members' pre-existing agreements
 - Kazakhstan and the Kyrgyz Republic are members of the Eurasian Economic Union whose common external trade policy rules out preferential tariff reductions in a CAREC agreement

Three Main Conclusions of the Research Report

1. The way forward is to adopt a multi-chapter framework agreement.

- WTO provides baseline rules
- adopt a chapter structure that covers areas of common interest in varying depth.

2. The Report identifies four priority chapters that could yield an early harvest of specific commitments:

- e-commerce and digitalization **WTO-X**
 - sanitary and phytosanitary (SPS) measures **WTO+**
 - trade in goods – focus on trade remedies (AD & CVD) **WTO+**
 - trade in services **WTO+**
 - Agreed commitments will depend upon members; they should be treaty based and supported by a dispute settlement process.
- ## 3. The report advises that the focus should not be on preferential tariffs
- require product-by-product negotiation and agreement on rules of origin.
 - with already low MFN tariffs on most CAREC trade, preferential access would have limited impact.
 - preferential tariffs in CAREC would be incompatible with some members' existing agreements

- Note: **WTO+** items extend WTO commitments; **WTO-X** are areas not covered by the WTO

1. A Multi-chapter Framework

Modern trade agreements such as RCEP or CPTPP are structured around 20-30 chapters, identifying the **WTO+** and **WTO-X** areas where WTO commitments could usefully be extended.

Although agreements differ in coverage and strength of commitments:

- Similar chapter structures help to ensure that agreements are consistent;
- commitments can vary in strength (may – should – must);
- Some chapters identify areas of potential future interest, but where signatories are unwilling to make commitments.

Some CAREC members already have agreements with a chapter structure – for example;

- Georgia-PRC trade agreement;
- EU-Georgia DCFTA;
- EU-Kazakhstan EPCA;
- PRC in RCEP – and applied to join CPTPP.

Chapter Structure of CPTPP compared to RCEP and the EU-Canada Agreement

| CPTPP | RCEP | CETA | CPTPP | RCEP | CETA |
|----------------------------|------|------|---|------|-------|
| 1. definitions | 1 | 1 | 16. competition policy | 13 | 17 |
| 2. market access for goods | 2 | 2 | 17. SOEs & monopolies | | 18 |
| 3. rules of origin | 3 | A | 18. intellectual property | 11 | 20 |
| 4. textiles & apparel | | A | 19. labor | | 23 |
| 5. custom administration | 4 | 6 | 20. environment | | 24 |
| 6. trade remedies (AD&CVD) | 7 | 3&7 | 21. cooperation & capacity building | 15 | 25 |
| 7. SPS | 5 | 5 | 22. competitiveness & investment facilitation | | |
| 8. TBTs | 6 | 4 | 23. development | | 22 |
| 9. investment | 10 | 8 | 24. SMEs | 14 | |
| 10. services | 8 | 9 | 25. regulatory coherence | | 12&21 |
| 11. financial services | 8 | 13 | 26. transparency & corruption | | 27 |
| 12. temporary migration | 9 | 10 | 27. administration & institution provision | 18 | 26 |
| 13. telecoms | 8 | 15 | 28. dispute settlement | 19 | 29 |
| 14. e-commerce | 12 | 16 | 29. exceptions & general provisions | 17 | 28 |
| 15. public procurement | 16 | 19 | 30. final provisions | 20 | 30 |

RCEP not only leaves out some chapters that are in CPTPP, commitments within chapters are weaker and dispute settlement procedures are less strict. The Research Report recommends RCEP as a useful template for a CAREC agreement.

Chapter Structure of the Georgia-PRC trade agreement, the EU-Georgia DCFTA and EU-Kazakhstan EPCA compared to the RCEP

| RCEP | Georgia-PRC | DCFTA | EPCA |
|--|-------------|-------|------|
| 1. definitions | 1 | | |
| 2. market access for goods | 2 | 1 | 1 |
| 3. rules of origin | 3 | | |
| 4. custom administration | 4 | 5 | 2 |
| 5. SPS | 5 | 4 | 4 |
| 6. TBTs | 6 | 3 | 3 |
| 7. trade remedies (AD&CVD) | 7 | 2 | |
| 8. services | 8 | 6 | 5 |
| 9. temporary migration | 8B | | |
| 10. investment | 12* | 7 | 5.7 |
| 11. intellectual property | 11 | 9 | 7 |
| 12. e-commerce | 12* | 6 | |
| 13. competition policy | 10 | 10 | 11 |
| 14. SMEs | | | |
| 15. cooperation & capacity building | 12 | | |
| 16. public procurement | | 8 | 8 |
| 17. exceptions & general provisions | 16 | 15 | |
| 18. administration & institution provision | 14 | | |
| 19. dispute settlement | 15 | 14 | 14 |
| 20. final provisions | 17 | | |

Possible Chapter Framework for a CAREC Trade Agreement

- | |
|--|
| 1. definitions |
| 2. trade in goods |
| 3. SPS |
| 4. trade in services, including financial services |
| 5. e-commerce & digitalization |
| 6. temporary migration |
| 7. investment |
| 8. intellectual property |
| 9. public procurement |
| 10. competition policy |
| 11. small and medium-sized enterprises |
| 12. exceptions & general provisions |
| 13. administration & institution provision |
| 14. dispute settlement |
| 15. final provisions |

2. Four Proposed Priority Chapters

Based on their importance for trade within CAREC and the potential for agreement, four priority chapters are identified:

- **e-commerce and digitalization** - not yet included in the WTO (the internet scarcely existed in 1995), but consistent rules and regulations are essential for modern international trade.
- **sanitary and phytosanitary (SPS) measures** - the WTO includes SPS but weak requirements. Agricultural exports are important to many CAREC members.
- **trade in services** - a heterogeneous topic - it would be useful to identify subsectors of special interest to CAREC members, and barriers to trade in those subsectors
- **trade in goods** – focus on trade remedies (AD & CVD), technical barriers to trade (TBTs) and standards
 - The report advises not to focus on negotiation of preferential tariffs, which would be incompatible with some members' existing agreements and would require product-by-product negotiation and agreement on rules of origin.

The Structure of RCEP Chapter 12

| | |
|-------|--|
| 12.1 | Definitions |
| 12.2 | Principles and Objectives |
| 12.3 | Scope |
| 12.4 | Cooperation |
| 12.5 | Paperless Trading |
| 12.6 | Electronic Authentication and Electronic Signature |
| 12.7 | Online Consumer Protection |
| 12.8 | Online Personal Information Protection |
| 12.9 | Unsolicited Commercial Electronic Messages |
| 12.10 | Domestic Regulatory Framework |
| 12.11 | Customs Duties |
| 12.12 | Transparency |
| 12.13 | Cyber Security |
| 12.14 | Location of Computing Facilities |
| 12.15 | Cross-border Transfer of Information by Electronic Means |
| 12.16 | Dialogue on Electronic Commerce |
| 12.17 | Settlement of Disputes |

Note: some topics could be left blank if agreement is difficult, but others would be codifying agreements already reached (e.g. commitments on paperless trading made in UN agencies) or should be easy to agree upon (e.g. acceptance of electronic signatures). Many existing agreements have texts that can be a starting point.

Conclusions

Timing. The longstanding CAREC trade policy goal of WTO membership for all members is close to fulfilment in 2022. The next step is to agree on measures beyond WTO commitments.

Continuity. A CAREC trade agreement should build upon previous steps, notably the 2019 CAREC Integrated Trade Agenda, which set up a framework for coordination of more open trade policies.

Constraints. A CAREC trade agreement must recognize individual countries' existing agreements, some of which rule out commitments on tariffs in a CAREC agreement.

Lessons. A beyond-WTO trade agreement can build upon the chapter structure of other agreements such as the CPTPP and RCEP.

Recommendations:

- **The way forward is to adopt a multi-chapter framework agreement.** As a template, the Report proposes the RCEP agreement.
- **Four priority chapters could yield an early harvest of specific commitments:** trade in goods, trade in services, sanitary and phytosanitary (SPS) measures, and e-commerce and digitalization.

Thank you!

Comments and questions welcome
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